

INTRODUCTION AND SCOPE

In cooperation with the Department of Finance, the Office of Human Resources and the Office of Budget , the County Auditor’s Office examined how information on employee pay rates is communicated and how that data is integrated between the user offices. We interviewed various employees, performed a walk-through of the process, and prepared related flow charts. We examined available manuals and procedures, and tested several records for compliance. The results of our review are presented on the following pages.

BACKGROUND

The County Auditor's Office became aware of a salary budget problem subsequent to the last payroll payout in Fiscal Year 2001. The problem was due to a shortage of funds in Object Class 01, Salaries, Wages and Fringe Benefits, that occurred in twenty three different County agency budgets. Shortage amounts varied from \$250.17 to \$27,736.55. The appropriate departments were notified by Payroll that their final payroll would not be released until an amount equal to the shortage was transferred to the required salary budget appropriation account. All departments were able to transfer funds and thus avert withholding employee compensation. However, since this particular budgeted category- Salary, Wages and Fringe Benefits, is provided by the Budget Office to each department for budget preparation use each fiscal year, we felt a review of how this information is determined was warranted.

FINDINGS AND RECOMMENDATIONS

We reviewed the data collection and integration process between the Payroll Division of the Department of Finance, the Office of Human Resources(HR) and the Budget Office and found that the hourly rates used by these three agencies were in agreement. We found that Payroll and Human Resources share that same data base. The Budget Office receives it's data from Human Resources monthly. The system the Budget Office uses is called the Budget Reporting and Analysis Support System (BRASS), a component of which is called the Salary Benefit Forecasting System (SBFS). The function of this module is to project Salary, Wages and Fringe Benefits using employee anniversary dates for salary increments and the approved HR pay scale. Health, Life and Retirement calculations are also part of this subsystem. Additionally, turnover is generally included at 1% and reduces the budget projection accordingly.

We randomly tested employee wage projections within five of the departments that had the larger shortages and examined all the employees payroll data in one of the smaller departments. We found that the hourly rates were correct but that the annual Employment Cost Index (ECI) appeared to not have been applied to the minor organizations budget totals where there were large shortages in the final payout. We were informed that due to the lateness in authorizing an increase, it was quicker to place the ECI in the departments budget and not in each organization. We were told

there was no trail to show it had not been applied since the budget data base in BRASS is updated each year. This was because a hard copy was not retained. It has been procedure to print the change only upon request.

It should be noted that most of the County Departments had met their budgeted payrolls. We did not determine whether the 3.3% Employment Cost Index (ECI) was applied to these departments or whether the budgets were met because of employee turnover, vacancies or previous dollar transfers before the final payroll. Since the ECI is applied against total salaries in the 0101, Salaries and Wages object, individual wages budgeted are not updated until the next budget cycle, when wage schedules in the Brass system are manually updated and checked against those in Human Resources. Because of this manual updating of the tables, human error can occur and we were told has occurred in the past in the form of transposition of numbers and other data entry type problems. The ability to provide the updated pay schedules to budget using an automated medium would provide a much quicker and accurate transfer of data. Information received from ADP states that this is an available solution, although it may require additional resources to install. We therefore recommend:

1. ***The pay schedule tables maintained by Human Resources be transferred to Budget as they change per legislation in an appropriate format so that they can be uploaded to the BRASS budget system in an automated fashion to improve accuracy and efficiency.***

Administration's Response:

_____ The BRASS budget system only recognizes annual pay tables and Human Resources maintain the pay schedule on an hourly basis. As a result the BRASS System cannot accommodate any automated change. Due to the current budget constraints the County has no additional funds to implement changes to the Brass System.

Auditor's Comment:

_____ The Purpose of an Automated Solution could convert the pay schedule to the appropriate format. As long as the departments seek to streamline this procedure when funds become available or as software systems change, we agree that the current process will suffice.

Additionally, we were told that the ECI is applied as a percent across the salary schedules. This is done because sometimes the ECI is not known until very late in the budget process. However, it appeared that one office we reviewed did not have it applied as they were short in that final payroll by about the amount of the ECI. However, we were told it was applied at the department level that year.

Also, the turnover percentage in that department was reduced to zero since historically there had been minimal turnover. When we asked for documentation of ECI being applied we were told that none exist for the year in question. This lack of documentation provided no audit trail to examine and offered no assurance that this process was applied correctly. We have been told that a printed copy of all changes are possible but have only been executed upon request. We therefore recommend:

2. *The application of all Employment Cost Index (ECI's) in the Budget system be documented and retained to provide sufficient evidence that the application occurred for each Budget unit as required.*

Administration's Response:

The Administration concurs with this recommendation. In the future the Budget Office will produce a hard copy to be used for an audit trail and will keep it for three years.

One method to ascertain that expenditures are occurring at the planned pace is by analyzing the needed funds required to complete the Fiscal Year. This report, called a Cost to Complete, could be provided by Budget Personnel. The report is provided to agencies upon request, however, we believe all budgeted agencies should receive the report for the 01 category as this is usually the most linear spending area. If given to the Agency several times during the last half of each fiscal year, required analysis could be performed and appropriate action could be taken to curtail spending or to transfer funds if needed. We were told the budget analyst does prepare the report and does the required analysis without notifying the department budget management. We believe that management should be involved. We believe the previously discussed shortfalls and the subsequent immediate need to find and transfer funds would have been addressed as part of normal operations if periodic cost to complete reports were distributed. We therefore recommend that:

3. *A cost to complete analysis continue to be prepared by the budget analyst and be given to the departments budget manager several times during the last half of the fiscal year.*

Administration's Response:

The Administration concurs with this recommendation and will prepare the cost to complete analysis on a more frequent basis.

We further noted that, Employee Insurance is budgeted under object 0104 but is expensed under object 0124, Health Charges. We believe that for matching of budgeted and actual expenditure, these charges should be in the same category. We therefore recommend that:

4. *The Employee Insurance budgeted expenses and the matching health charges be budgeted in the same object.*

Administration's Response:

The Administration concurs with this recommendation and the Department of Finance will make the necessary changes in the next fiscal year.

We noted that payroll uses many codes due to the differences required by our numerous employee groups, benefits and costing centers. Payroll has access to a report writer that can extract and compile information based on the current data base. However, information sometimes is needed that is historic in nature. Under current payroll practices, getting historical information is often time consuming and time prohibitive. The County Auditor's Office receives and maintains payroll data tapes from (ADP) Automated Data Processing that are cumulative every six months on a fiscal and calendar year cycle. This data library is current and available by using a third party software program called Easytrieve Plus. Presently, the Payroll Office does not have access to this product. In order to provide Payroll the ability to gather information more efficiently and cost effectively, we recommend that:

5. *Access, rights and training be provided to selected Payroll employees in Easytrieve Plus and the ADP data tapes. If the need for this older data proves infrequent, special requests in lieu of training for automated reports would satisfy this recommendation.*

Administration's Response:

The new version of the ADP software, HRizon, was implemented in January 2001. All historic data is now saved to a server and can be accessed using ReportSmith, ADP's report writer tool. The Office of Finance and Human Resources have been trained and are currently using ReportSmith. Therefore it is not necessary to purchase Easytrieve for report writing.

Auditor's Comment:

Easytrieve has already been purchased by the Auditor's and is used as a Computer Assisted Audit Technique (CAAT) for many applications. The Office of Finance should be aware that it is available for older data that they may need. We agree that if the need is infrequent for the older data, there is no need to spend time and money on Training Resources.

_____ We contacted ADP for information on their products ability to integrate with the County's BRASS budget system. By automating this information, the County could eliminate the need for intermediary programs (such as Fox Pro and Excel) that are currently used monthly to extract the data on positions and pay schedules, in order to manually update BRASS . Minda Heagey, an ADP representative, told us the ADP module is compatible and should eliminate human error, save time and be more efficient. We therefore recommend that:

- _____ 6. **The Department of Finance, and the Office of Human Resources, and the Budget Office contact ADP to assist in the implementation of providing data to the BRASS budget system in an automated format.**

Administration's Response:

_____ Due to sensitive structure of the BRASS System and budget constraints, it is not possible to automate these changes at the current time.

Auditor's Comments:

_____ Once the Resources are available and or the Budget System is updated or changed, we continue to recommend implementation of this recommendation.

_____ Lastly, the key to integrating the data is integrating the ideas products and advances made in each departments process so that they are known to each participant link that has involvement in the process. This can be best accomplished by scheduling regular meetings that address the needs, problems and changes occurring in the process and products. We therefore recommend that:

7. **The Department of Finance, the Office of Human Resources and the Budget Office select appropriate personnel in their departments that can address the needs and changes in the process and products associated with budgetary, processing and provides payroll data.**

Administration's Response:

_____ The Administration concurs with this recommendation. While regularly scheduled meetings will not be arranged, the Department of Finance, Human Resources and the Budget Office will meet with the appropriate personnel as necessary. Each office will continue to work together where appropriate and beneficial.

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